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Estimated Soviet Defense Spending in Rubles: Recent Trends and Prospects

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Key Judgments

Total Defense Spending

Our estimates of the ruble cost of Soviet defense activities during the period 1970-76 indicate that:

- Soviet spending for defense, defined to correspond to US budgetary accounts and measured in constant 1970 prices, has been growing at an average annual rate of 4 to 5 percent, from 40-45 billion rubles in 1970 to 52-57 billion rubles in 1976.
- Defined more broadly, as Soviet practice might require, defense spending grew from 45-50 billion rubles in 1970 to 57-62 billion rubles in 1976.

Composition and Allocation

Ruble estimates provide insight into the resource composition of the Soviet defense effort and the trends in resource allocations among the branches of service. Analysis based on the narrower definition of defense—for which the estimates are more detailed and precise—indicates that:

- The shares allocated to investment, operating, and RDT&E remained fairly constant during the 1970-76 period. About half of total spending went for investment, about 30 percent for operating expenditures, and about 20 percent for RDT&E.
- The Soviet Navy and Ground Forces received roughly constant shares of investment and operating spending during the period. Spending for the Strategic Rocket Forces and the Air Forces displayed cyclical behavior, and the Air Defense Forces' share of investment and operating expenditures decreased by about one-fifth.

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Economic Impact

The defense effort has had a substantial impact on the Soviet economy:

- During the 1970-76 period, defense spending consumed an almost constant share of Soviet GNP—11 to 12 percent or 12 to 13 percent, depending on how defense spending is defined.
- Defense production consumed about one-third of the final product of machine-building and metalworking, the branch of industry that produces investment goods as well as military hardware.

Prospects

The average annual growth rate of 4 to 5 percent implied by these estimates exceeds the average annual rate at which we expect the Soviet economy to grow in the years ahead. Econometric projections are that Soviet GNP will grow at about 4 percent a year through 1980, but that growth will fall off thereafter—probably to about 3 to 3.5 percent. Yet, the projected economic slowdown notwithstanding, Soviet spending for defense is likely to continue to grow at roughly its current rate into the 1980s, whether or not a SALT II agreement is concluded.

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